

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-03 PRS-01 USIA-15 ABF-01 FSE-00

OPR-02 DRC-01 /177 W

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R 100803Z SEP 73

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1638

INFO AMEMBASSY LONDON

AMCONSULMELBOURNE

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

USMISSION OECD PARIS

AMCONSUL PERTH UNN

AMCONSUL BRISBANE UNN

UNCLAS CANBERRA 4983

EO 11652: N/A

TAGS: EFIN, AS

SUBJ: WHITLAM ANNOUNCES FIVE PERCENT REVALUATION
OF AUSTRALIAN DOLLAR AND RISE IN INTEREST
RATES.

1. PRIME MINISTER ISSUED STATEMENT SUNDAY, SEPTEMBER 9,
CALLING INFLATION "MAJOR ECONOMIC PROBLEM FACING US
TODAY", IDENTIFYING 26 PERCENT RISE IN MONEY SUPPLY
DURING FY73 AS MAJOR CONTRIBUTING FACTOR, AND ANNOUNCING
TWO MEASURES INTENDED TO PRODUCE "SHARP CUT" IN LIQUIDITY:
A. INCREASE IN GOVERNMENT OPEN MARKET OPERATIONS TO
INCREASE SALES OF GOVERNMENT SECURITIES WITH RISE
IN INTEREST RATES TO FOLLOW AS A CONSEQUENCE.

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B. APPRECIATION IN EXCHANGE RATE OF AUSTRALIAN DOLLAR

BY FIVE PERCENT TO FORMAL PARITY OF 28.3848
AUSTRALIAN DOLLARS PER FINE OUNCE OF GOLD. RATE
FOR US DOLLAR MOVES TO 1.4875 FROM FORMER 1.4167 PER
AUSTRALIAN DOLLAR. (RESERVE BANK T/T BUYING RATES
US\$1.49 TO A\$1; SELLING US\$1.485 TO A\$1.)

2. DECISION REPORTEDLY MADE IN CONSULTATION WITH
TREASURER CREAN AND DEPUTY PM BARNARD AND WITH BENEFIT
OF ADVICE FROM RESERVE BANK AS WELL AS TREASURY. IMF
NOTIFIED OF DECISION ON EXCHANGE RATE AND "CONCURRENCE
EXPECTED", ACCORDING TO WHITLAM STATEMENT. OPPOSITION
REACTION PREDICTABLY CRITICAL. LIBERAL PARTY LEADER
SNEDDEN REPORTED TO HAVE PREDICTED "VERY MARGINAL EFFECT"
FOR REVALUATION MEASURE AND CALLED FOR "TOTAL PACKAGE"
INCLUDING PRICES AND INCOMES POLICY AND FISCAL MEASURES.
COUNTRY PARTY LEADER ANTHONY CALLED DEVALUATION ANOTHER
"SLAP IN FACE" FOR EXPORT INDUSTRIES.

3. THIS IS FOURTH OFFICIAL CHANGE IN PARITY
OF AUSTRALIAN DOLLAR AGAINST US DOLLAR SINCE DECEMBER,
1971, DURING WHICH PERIOD VALUE OF FORMER HAS INCREASED
ABOUT ONE-THIRD AGAINST US DOLLAR.

4. EMBASSY COMMENT ON REVALUATION MOVE FOLLOWS
SEPTEL.
GREEN

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NNN

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